

Message Text

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ORIGIN NEA-10

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R 222042Z SEP 76
FM SECSTATE WASHDC
TO AMEMBASSY COLOMBO

C O N F I D E N T I A L STATE 235102

STADIS/////////////////
FOR AMBASSADOR FROM KUX

E.O. 11652:GDS

TAGS:OGEN, CE

SUBJECT: TITLE I PROGRAM

REF: (A) COLOMBO 3410; (B) COLOMBO 3485

1. DRAFT CABLE IS NOW CIRCULATING INTERNALLY WHICH SHOULD ADDRESS MOST OF THE ISSUES RAISED IN REFS (A) AND (B). IN GENERAL, TITLE I PLANNING APPEARS TO BE ON TRACK WITH NEGOTIATING INSTRUCTIONS DUE TO REACH YOU IN NEAR FUTURE FOR PROGRAM OF 100,000 MT OF WHEAT FLOUR AND 20,000 MT OF RICE. A SUPPLEMENTARY AMENDMENT FOR 50,000 MT OF FLOUR IS ALSO EXPECTED TO BE APPROVED SHORTLY AND WE BELIEVE WE HAVE GOOD CHANCE OF LATER ADDING PERHAPS UP TO ANOTHER 50,000 MT FLOUR TO MEET FULLY SRI LANKA REQUEST FOR 200,000 MT TOTAL FOR WHEAT FLOUR. ALSO BELIEVE THAT VELAYUTHAM'S TIME-TABLE CAN BE MET WITH SHIPPING TO COMMENCE IN MID TO LATE FALL. THIS FORTUITOUS STATE OF AFFAIRS COMES ABOUT AS A RESULT OF GOOD FOOD POSITION IN PAKISTAN AND BANGLADESH AND RESULTANT AVAILABLE P.L. 480 RESOURCES TO ENABLE US TO
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MEET SRI LANKA'S REQUEST FOR BIGGER PROGRAM.

2. RICE COMPONENT CONTINUES TO BE IMPORTANT SELLING POINT FOR SRI LANKA PROGRAM WITH USDA. UNFORTUNATELY, WE HAVE NOT

GOTTEN VERY FAR WITH REF B PROPOSAL FOR DISPOSING OF UN-WANTED RICE IN EVENT PALATABILITY PROBLEMS DEVELOP. NEITHER INDIA NOR PAKISTAN WILL HAVE RICE COMPONENT TO TITLE I PROGRAM, WHILE BANGLADESH TAKES DIFFERENT TYPE. ONLY POTENTIAL SUBSTITUTE IS INDONESIA, BUT USDA CITES VARIETY OF OPERATIONAL PROBLEMS WHICH MAKE IT VERY UNLIKELY THAT WE CAN AGREE TO OPTION OTHER THAN REGULAR TITLE I PROCEDURES. EVEN SO, ANY INCREASE IN WHEAT FLOUR BEYOND 100,000 MT SHOULD SAVE GSL IMMEDIATE OUTLAY WHICH CAN BE BALANCED AGAINST SMALL RISK INVOLVED IN ACCEPTING 100,000 TONS OF HIGH QUALITY US RICE.

3. RE CREDIT FOR U.S. COMMERCIAL RICE AND FLOUR SALES TO SRI LANKA (REF B, PARA 2), CCC BUDGET FOR FY 77 HAS NOT YET RECEIVED FINAL OMB APPROVAL ALTHOUGH THIS IS EXPECTED SOON. GIVEN STRONG INTEREST IN PROMOTING WHEAT FLOUR AND RICE SALES HERE, AN OFFICIAL GSL REQUEST FOR CREDIT COVERING PURCHASES OF EITHER OR BOTH OF THESE COMMODITIES, DUE TO NEEDS ARISING OUT OF THE CURRENT DROUGHT SITUATION, WOULD GENERATE CONSIDERABLE INTEREST. SRI LANKA'S STRAINED BALANCE OF PAYMENTS CONDITION COULD STILL LEAD TO TURN-DOWN (ESPECIALLY IF FINAL CCC BUDGET IS LOWER THAN REQUESTED) BUT CHANCES FOR FAVORABLE DECISION APPEAR BRIGHTER THIS YEAR THAN IN THE PAST. HABIB

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